

Message Text

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GENEVA FOR PHELAN

FOLLOWING REPEAT EC BRUSSELS 10176 ACTION SECSTATE INFO ALL
EC CAPITALS BRASILIA ISLAMABAD NEW DELHI SEOUL SINGAPORE
TOKYO HONG KONG 13 NOV

QUOTE

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E.O. 11652: N/A
TAGS: GATT, ETRD, EEC
SUBJECT: EC TEXTILE NEGOTIATIONS

REF GENEVA 8246

1. SUMMARY. THE EC COMMISSION HAS BEEN MAKING PROGRESS IN
NEGOTIATING BILATERAL TEXTILE AGREEMENTS UNDER THE MFA. HOWEVER,
IT FEARS THAT IT MAY BE IN AN EMBARRASSING POSITION IN THE
DEC 2 TEXTILE COMMITTEE SESSION BECAUSE CERTAIN MEMBER STATES,
LED BY THE UK, ARE INSISTING ON THE CONTINUED MAINTENANCE OF
UNILATERAL RESTRICTIONS ON PRODUCTS NOT COVERED BY THE BILATERAL
AGREEMENTS. THE COMMISSION IS ENDEAVORING TO PERSUDE THESE
MEMBER STATES TO GIVE UP THIS IDEA, BUT IS NOT HOPEFUL THAT IT
WILL SUCCEED. END SUMMARY.

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2. THE EC'S NEGOTIATIONS UNDER THE MFA HAVE MADE SUBSTANTIAL PROGRESS IN THE LAST FEW MONTHS, AS REPORTED IN REFTEL. ACCORDING TO AN EC COMMISSION SOURCE, THE FOLLOWING IS THE CURRENT STATUS OF THE NEGOTIATIONS.

A. THE AGREEMENTS WITH INDIA AND PAKISTAN WERE FORMALLY APPROVED BY THE EV COUNCIL OF MINISTERS ON NOV 11. THIS COMPLETES THE COMMUNITY LEGAL PROCESS. THE AGREEMENTS WITH HONG KONG, MALAYSIA, SINGAPORE AND MACAO ARE BEFORE THE EC COUNCIL OF MINISTERS FOR FINAL, FORMAL APPROVAL. THE COMMISSION CONTINUES TO EXPECT TO NOTIFY ALL OF THESE AGREEMENTS TO THE TEXTILE SURVEILLANCE BOARD BEFORE THE DEC 2 TEXTILE COMMITTEE MEETING.

B. A NEW ROUND OF NEGOTIATIONS WITH KOREA WILL PROBABLY BEGIN NOV 20 AND RUN THROUGH THE WEEK OF THE 24TH. THE COMMISSION IS NOT AT ALL CERTAIN THAT IT WILL CONCLUDE THESE NEGOTIATIONS BEFORE DEC 2. IF NOT, IT WILL PROLONG THE UNILATERAL MEASURES ALREADY TAKEN AGAINST KOREA.

C. NEGOTIATIONS WITH JAPAN RESUME ON NOV 13. IN THIS CASE IT IS THOUGHT THAT THE NEGOTIATIONS MAY BE CONCLUDED SOMETIME IN DEC. THE JAPANESE ARE STILL ARGUING FOR A PURELY CONSULTATIVE AGREEMENT, BUT IN THE COMMISSION'S VIEW, WILL PROBABLY ACCEPT A CERTAIN NUMBER OF RESTRAINTS, MAINLY ON PRIMARY MATERIALS, SO LONG AS THESE ARE NOT TOO NUMEROUS AND ARE SET AT A HIGH LEVEL.

D. THE NEGOTIATIONS WITH BRAZIL IN LATE OCT DID NOT GO TOO WELL FROM THE COMMISSION'S POINT OF VIEW IN THAT THE BRAZILIANS ARGUED THAT THERE WAS NO JUSTIFICATION FOR ANY RESTRAINTS. IN THE COMMISSION'S VIEW, THERE IS A CASE FOR RESTRAINTS, MAINLY WITH REGARD TO COTTON YARN AND COTTON FABRICS, AND IF THE NEGOTIATIONS FAIL THE COMMISSION WILL IMPOSE UNILATERAL, COMMUNITY-WIDE RESTRAINTS ON AT LEAST A COUPLE OF PRODUCTS IN THESE SECTORS. GUNDELACH, WHO IS IN CHARGE OF EXTERNAL RELATIONS FOR THE COMMISSION IN SOAMES' ABSENCE, RECENTLY CALLED THE BRAZILIAN CHARGE IN AND ASKED THAT THE BRAZILIANS RETURN FOR FURTHER NEGOTIATIONS AT THE END OF NOV OR EARLY IN DEC.

E. THE SITUATION WITH REGARD TO COLOMBIA AND MEXICO IS SIMILAR TO THAT WITH REGARD TO BRAZIL. THE COMMUNITY IS MAINLY CONCERNED LIMITED OFFICIAL USE

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ABOUT COTTON YARN AND FABRIC. THESE HAVE BEEN PRELIMINARY MEETINGS WITH BOTH OF THESE GOVERNMENTS. THE COMMISSION IS TRYING TO FIT IN A FORMAL NEGOTIATING SESSION WITH MEXICO PRIOR TO THE END OF THE YEAR. IF NEGOTIATIONS FAIL WITH COLOMBIA, THE COMMUNITY MAY IMPOSE UNILATERAL RESTRICTIONS ON COTTON YARN.

F. THE COMMISSION HAS INVITED ROMANIA, POLAND AND HUNGARY TO ENTER INTO NEGOTIATIONS. NONE OF THESE COUNTRIES HAS FORMALLY

RESPONDED. HOWEVER, THE ROMANIANS HAVE GIVEN SIGNS THAT THEY ARE WARMER THAN THE OTHERS TO THE IDEA OF NEGOTIATING AN AGREEMENT. THE COMMISSION IS IN THE PROCESS OF DRAWING UP SIMILAR MANDATES FOR NEGOTIATING WITH THESE THREE COUNTRIES. THESE MANDATES WOULD INCLUDE PRICE PROVISIONS AND SOME SORT OF "COUNTER-PART" PROVISION--SUCH AS A COMMITMENT BY THESE COUNTRIES TO BUY EC GOODS.

G. FINALLY, THE MANDATE FOR NEGOTIATIONS WITH YUGOSLAVIA IS JUST ABOUT COMPLETED.

3. DESPITE THE PROGRESS THAT HAS BEEN AND IS BEING MADE IN THE NEGOTIATIONS, OUR COMMISSION SOURCE DOES NOT FORESEE AN EASY TIME FOR THE COMMUNITY IN THE DECEMBER 2 TEXTILE COMMITTEE. THE PROBLEM IS THE INSISTENCE OF SOME MEMBER STATES ON THE CONTINUED MAINTENANCE OF UNILATERAL RESTRICTIONS ON PRODUCTS NOT COVERED IN THE BILATERAL AGREEMENTS. THE "CULPRIT" IN THIS AFFAIR IS THE UK, BUT OTHER MEMBER STATES, ESPECIALLY FRANCE, HAVE BEEN FOLLOWING THE UK LEAD.

4. WHEN AT THE END OF MARCH THE COMMISSION DESCRIBED ITS STATUS UNDER THE MFA IN A COMMUNICATION TO GATT, IT PRESENTED PROGRAMS FOR COUNTRIES WITH WHICH THE EC DID NOT INTEND TO NEGOTIATE, AND ALSO SAID THAT IT WOULD SUBMIT PROGRAMS FOR THE COUNTRIES WITH WHICH IT WAS NEGOTIATING, AFTER THE END OF THE NEGOTIATIONS. THE COMMISSION HOPED THAT BY THE END OF THE NEGOTIATIONS IT WOULD HAVE MEMBER STATE AGREEMENT TO IMMEDIATE LIBERALIZATION FOR PRODUCTS NOT COVERED IN THE BILATERAL AGREEMENTS, BUT IT HAS NOT TURNED OUT THAT WAY.

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5. WHILE SOME OF THE COUNTRIES INVOLVED IN NEGOTIATIONS WITH THE COMMUNITY HAVE EITHER NOT NOTICED WHAT IS GOING ON OR ARE LIKELY TO BE "FLEXIBLE" IN THIS REGARD, SOME, INCLUDING BRAZIL AND PAKISTAN ARE INSISTING THAT MARCH 31, 1975 WAS THE ABSOLUTE DEADLINE FOR UNILATERAL RESTRAINTS. BOTH INDIA AND PAKISTAN HAVE SAID THAT THE COMMUNITY SHOWED BAD FAITH IN ITS NEGOTIATIONS WITH THEM BY NOT REVEALING THAT UNILATERAL RESTRAINTS WOULD BE RETAINED. THE PAKISTANIS ARE THE MOST INSISTENT IN THIS REGARD, ALLEGING THAT AT THE TIME THE EC-PAKISTAN AGREEMENT WAS SIGNED, MEYNELL ASSURED THE PAKISTANI NEGOTIATOR, NAIK, THAT THERE WOULD BE NO ADDITIONAL RESTRAINTS. MEYNELL SAYS THAT HE SIMPLY PLEDGED TO DO HIS BEST TO AVOID SUCH RESTRAINTS. IN ANY CASE, PAKISTAN HAS GIVEN THE COM-

MISSION A FORMAL NOTE ON THIS SUBJECT, AND SEEMS
LIKELY TO RAISE THE ISSUE AT THE TEXTILE COMMITTEE.

6. THE COMMISSION CONTINUES TO HAVE SOME HOPE THAT
IT CAN PERSUADE THE UK TO WITHDRAW ITS INSISTENCE ON
UNILATERAL RESTRAINTS. (THE RESTRAINTS WOULD COVER
ALL THE PRODUCTS PREVIOUSLY UNDER NATIONAL RESTRAINT
EXCEPT FOR THOSE INCLUDED IN THE BILATERAL AGREEMENTS.)
ANOTHER EFFORT ALONG THESE LINES WILL BE MADE AT A
MEETING OF THE SPECIAL ARTICLE 113 COMMITTEE FOR
TEXTILES ON FRIDAY, NOVEMBER 14. GREENWALD
UNQTE. KISSINGER

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